



# **PATHS TO PROSPERITY**

## FLEXIBLE LABOUR MARKETS

An Ontario PC Caucus White Paper

June 2012



Ontarians need hope that the province's economy will improve and that there will be more opportunity for those who want it. Hope in itself won't create change, though. Change requires action. One of those actions is a bold revision of outdated labour laws and workplace regulations that hamper Ontario's ability to compete, to innovate and to develop a truly modern economy.

Ontarians are all too familiar with the province's current economic picture.

While other provinces' economies have rebounded from the recession, Ontario's growth is slow and its unemployment stubbornly high. The jobless rate continues its five year streak of exceeding the national average. A net total of 300,000 jobs have been lost in our vital manufacturing industries under the current government's approach.

Ontario is at a crucial inflection point. We need swift action on two parallel tracks. First, we must set clear priorities and reduce excess government spending. Second, and equally important, we must restart sustainable economic growth. This action will require a comprehensive, integrated plan committed to fresh ideas that get the economic fundamentals right.

Ontario's economic decline continues despite a well-educated and experienced workforce with easy proximity to international markets. Ontario has great natural advantages, but our failure to adapt to the realities of a 21st century economy is holding us back.

It's time for Ontario to re-examine outdated workplace rules that date back to the 1940s and adapt them to the much more flexible requirements of today's employees. We must realize that labour flexibility and more opportunities for workers are essential to retaining and attracting the very best talent to our province.

People are independent in ways previously unimagined. They leverage technology to provide more choices in how they run their lives, achieve their workplace expectations, spend their paycheques and organize their time. This is a good thing. People want more freedom in their lives, including their workplaces. Put simply, the world of work has changed, but our laws have not kept pace with worldwide trends.

Of particular concern is a series of government policies that favour union leaders over employees and their employers in ways that reduce opportunities for individual workers and are obstacles to economic growth. Union leaders have become so powerful that many employees in effect have two bosses, their actual employer and the people who run their union.

Mandatory union membership, forced paycheque contributions, closed tendering for government contracts and the artificial restriction on the number of our youth able to enter the skilled trades – these are not policies that foster the open, innovative economy Ontario needs. Ontarians deserve better.

British Columbia, Alberta and Saskatchewan have agreed to tear down rigid labour and regulatory barriers in a bid to create the most open and competitive economies in the country. So far, they are succeeding.

Ontarians will thrive in a future of balanced budgets, lower taxes, affordable energy and a well-educated, competitive workforce. Rewarding hard work and talent will lead to more job opportunities and rising incomes. In this *Paths to Prosperity* white paper – the second in a series – the Ontario PC Caucus offers creative ways to modernize Ontario's labour laws, workplace regulations and government agencies.

The changes we propose would, in many cases, break new ground in Canada. Given Ontario's economic performance in the last few years, it's clearly time for a bold, new approach.

A handwritten signature in black ink, appearing to read "John Fraser".

Leader of the Official Opposition





## Randy Hillier

MEMBER OF PROVINCIAL PARLIAMENT  
LANARK, FRONTENAC, LENNOX AND ADDINGTON

The path Ontario is on today and the path it has been on for the last decade bears little resemblance to the paths that were available to me when I began my journey into the workforce almost four decades ago.

Forty years ago, Ontario's skies shone bright with endless opportunities in manufacturing, skilled trades, professional services and a burgeoning service sector. Multiple paths all led towards a stable middle class lifestyle. Whether you chose a career in mining, forestry or agriculture, our resources were attainable through property ownership and development.

The path Ontario previously travelled created the economic engine of Confederation. Sadly during the last decade Ontario veered off the prosperous path and began closing the doors of opportunity.

But we all know it's never too late to change our path if it is full of obstacles. The only question we need to ask ourselves is — should Ontario wait until we've hit the dead end before we alter paths, or should we have the foresight to change? This *Paths to Prosperity* white paper shines the light on several new paths towards freedom and prosperity that are worthy of discussion.

As an electrician, contractor and now as an elected official, I have seen the root problems directly. We as a nation recognize that our prosperity rests upon the free trade of our goods, services and resources. But as a province, Ontario's labour laws remain highly restrictive and obstructive. They were created in the era of protectionism. Ontario's legislation must be in lock step with Canada's economic policies, or we do a disservice to both our province and our country.

Over the last nine years, Ontario has seen its real per capita GDP stagnate, growing by a paltry 0.86 per cent in total. We must face the reality that for the first time Ontario is a have-not province and trending towards becoming a Rust Belt state.

To overcome these challenges, we must change our attitude and our legislation. If we want to ensure that Ontario is the best place to find a good job, we must address the obstacles that have halted Ontario in its tracks. We must rethink our current labour legislation and the significant way it negatively affects both employees' and employers' opportunities for prosperity. Whether you are employed, unemployed or an employer, our current labour legislation is burdensome and a barrier to growth.

Bold ideas have always been the cornerstone of Ontario's economic success; something we ought never to forget. That is why this Ontario PC Caucus *Paths to Prosperity* white paper on labour reform will outline new alternatives to Ontario's status quo. Rather than tinkering with small facets of labour legislation, we believe it is time for substantive changes to reinvigorate our economy. Similar to our previous white paper, *Paths to Prosperity: Affordable Energy*, we are proposing fundamental change and advocating new ideas because we want to spark a debate and to solicit your feedback. Please let us know what you think by contacting my office through email at [randy.hillier@pc.ola.org](mailto:randy.hillier@pc.ola.org) or by phone at **416-325-2244**.

Ontario PC Caucus Labour Critic

# TABLE OF CONTENTS

A New Vision for Labour Reform	06
Giving Workers the Choice	08
Open Tendering	11
Reforming Workplace Agencies	12
A Pro-Jobs Agenda	16
Summary	19

# A NEW VISION FOR LABOUR REFORM

The biggest challenge facing Ontario today is getting the economy moving again, to create the jobs Ontarians need and the tax revenues government requires to provide core public services like health care and education. Over the past few years, government has tried to stimulate the economy with massive infrastructure spending, corporate welfare to favoured businesses and expensive wind and solar energy subsidies. Instead of creating permanent full-time jobs, this approach doubled the provincial debt.

Ontario's labour legislation is also out of step with our nation's economic policies. As Canada continues to broaden its trading partners with free trade agreements, fewer regulatory burdens and a less intrusive role for government in the economy, Ontario's policies remain stuck in the era of protectionism.

The problem is that government has failed to address major economic fundamentals that lead to wealth and

job creation — lower business taxes, affordable energy and regulatory reforms that encourage businesses to expand and employers to hire. Ontario's workers and employers must adapt to the rapidly changing economy of the 21st century, but they are being hampered by employment law that is decades out of date.

It's time the law is modernized to give Ontario employees more choice and control, and to encourage the kind of flexible workforce Ontario businesses need to be competitive. It's essential to creating jobs.

The world and our economy have changed and will continue to do so, not always in ways that benefit Ontario. When the Canadian dollar had a low value relative to the American dollar, many Canadian businesses were slow to increase productivity. For a time, they could afford rigid labour contracts and still compete. That's no longer possible. Rigid labour legislation further

hampers Ontario businesses' ability to react to changing consumer and competitive demands.

The recent loss of the Caterpillar locomotive plant in London was just one example of Ontario's new reality. International corporations won't pay a significant premium to employ Ontario workers. Increasing productivity is essential to attract and retain both domestic and international business operations.

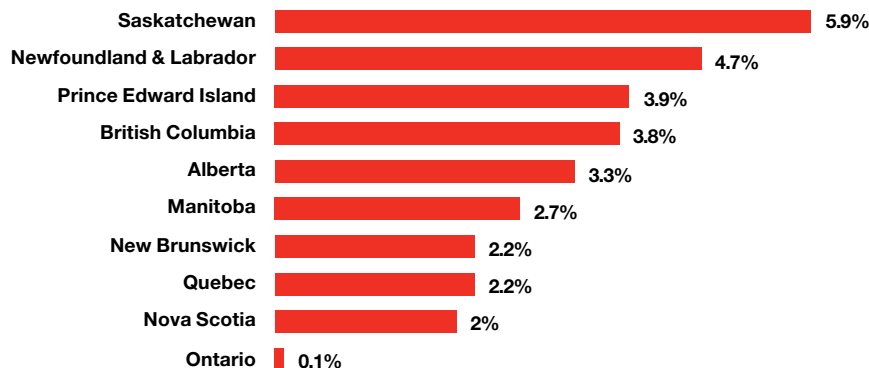
We can wish that all this wasn't so, but it won't change the facts. What we need to do is adapt, looking carefully at what we do wrong and what works elsewhere in the world.

Unions must adapt to the changing economy, too. They are important players in our economic future. Unfortunately, some have so lost focus that they are now doing things like contributing union dues to the student protesters in Quebec. This kind of behaviour is enabled by the extraordinary powers granted to union leaders by government. Because all unionized employees must pay dues or be fired, the union doesn't have to respond to their wishes or needs. We think that should change.

That's why we are proposing to give workers an expanded choice when it comes to becoming and remaining a union member, or not — and to ensure a worker's individual choice to pay union dues, or not. It will make unions more responsive to unionized employees, and to the needs of employers. Economic analyses of these reforms elsewhere suggest rules that make union leaders work a little harder to justify

## Growth in Average Weekly Earnings by Province

March 2011 to March 2012



Source: Statistics Canada payroll employment, earnings and hours, March 2012



their value boosts employment, increases paycheques, attracts business investment and expands the economy.

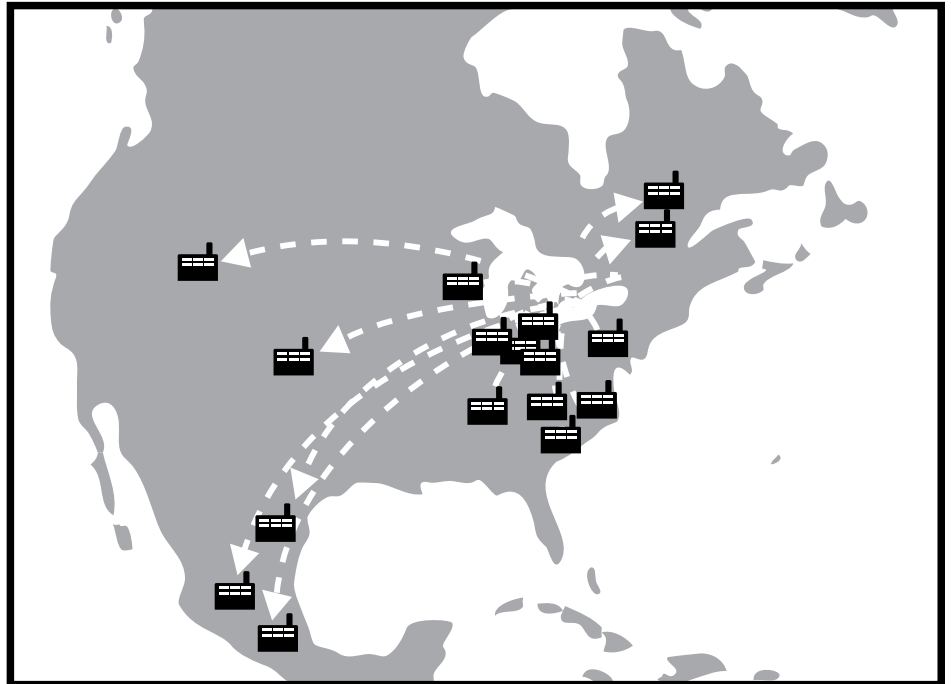
For example, one recent study published by the Pacific Research Institute by economists Art Laffer and Wayne Winegarden found that U.S. states with expanded worker choice legislation outperformed forced unionism states on a number of key metrics. Over the ten-year period of 2001 to 2010, states that gave workers a choice saw 11 per cent higher economic growth, 11 per cent higher personal income growth and a 3 per cent increase in employment growth, versus a 1 per cent decline in states where some form of union dues are mandatory.

Central to growing the economy is supporting the individual worker, whether they are unionized or not unionized. No one should be fired from their job, or not hired for a job for which they are the best candidate, simply because they aren't a union member. We need to make it easier for workers to make this basic choice based on what works for them and what will drive their own prosperity.

These reforms would also help government in its difficult relationship with public sector unions. While unions in the private sector must ultimately compete and change or lose jobs, the public sector unions appear as monopolies that are immune from economic conditions and the public's ability to pay.

Our public sector tendering rules should be changed to open more

## Examples of Ontario Plant Closures & Relocations



<b>GM (2,000 Jobs)</b>	Oshawa to Detroit, MI and Spring Hill, TN
<b>Xstrata (600 Jobs)</b>	Timmins to Quebec
<b>Timken (190 Jobs)</b>	St. Thomas to Ohio, North Carolina & South Carolina
<b>Daimler (1,300 Jobs)</b>	St. Thomas to Saltillo, Mexico
<b>John Deere &amp; Co. (800 Jobs)</b>	Welland to Wisconsin and Mexico
<b>Navistar International Corp. (675 Jobs)</b>	Chatham to Wakarusa, IN
<b>Siemens AG (500 Jobs)</b>	Hamilton to Charlotte, NC
<b>Veyance Technologies Canada (44 Jobs) (former Goodyear plant)</b>	Owen Sound to Nebraska and Mexico
<b>Caterpillar subsidiary Electro-Motive (460 Jobs)</b>	London to Muncie, Indiana
<b>Volvo Group (500 Jobs)</b>	Goderich to Shippensburg, PA
<b>Simmons Canada (153 Jobs)</b>	Ontario to Kirkland, Quebec, Calgary, Alberta, Janesville, WI, and Hazelton, PA

government work up to real competition. This will ensure more roads get built and new buildings opened on time and on budget.

As well, our Workplace Safety and Insurance Board and our Labour Relations Board need reforms that will encourage, not discourage, job creation.

The real path to a growing economy and rising standard of living is increasing economic activity and employment demand. That's why the Ontario PC Caucus is proposing a package of changes to help achieve that goal.

## GIVING WORKERS THE CHOICE

We believe it's time to reconsider the extraordinary powers government grants unions. While unions fight to protect existing jobs, they cannot be permitted to prevent new jobs from being created. Ontario needs to focus on expanding its economy and creating jobs, not just on slowing job loss. That's not the road to success.

world of large corporations, jobs for life and a relatively slower pace of change. Unfortunately, unions have not adapted to the modern economy, which features more small and medium-sized employers, multiple careers for workers and constantly changing economic demands.

will make it easy for them to branch out and try new approaches and ideas, not workplaces where union contracts narrowly prescribe exactly how a job must be done and who will do it.

When times are tough for employers, unions need to respond in ways that will help protect and create jobs. That's what Ontario workers need. That's what the nearly 600,000 unemployed Ontarians need. Negotiations are most often viewed as an opportunity to enhance pay and benefit entitlements, regardless of the employer's ability to pay.

**Ontario Manufacturing Jobs**



Over time, unions have contributed to developing Ontario's middle class and to improving safety in the workplace. These were important gains and unions prospered in a

People today want and take far more control over their careers, switching employers and even moving to new fields altogether. They need workplaces, pay and benefits that

Nowhere is this more evident than in the public sector. Ontario is on the path towards a \$30 billion deficit. Control over spending and public sector compensation is absent. As one idea to rein in spending, the Ontario PC Caucus has proposed an across-the-board public sector wage freeze – with no exceptions. At current spending levels this would save an estimated \$2 billion each year and provide a window to reform Ontario's broken arbitration system. With compensation frozen, arbitrators would not be able to ignore fiscal circumstances and award multi-year salary increases that taxpayers cannot afford. The

***“In general, benefit levels in the public sector are generous; public-sector employees often have access to jointly funded defined benefit pension plans; and many collective agreements include job security provisions that greatly reduce the likelihood that employees in a particular bargaining unit would find themselves out of work...”***

-- The Drummond Commission on the Reform of Ontario's Public Services



wage freeze would be in place for at least two years, after which time we would assess the economic and fiscal situation to decide whether to continue the wage freeze or allow for only modest increases.

Despite the province's debt crisis and recent credit rating downgrades, most Ontario teachers' unions have walked away from current talks intended to lead to a pay freeze. There has only been limited willingness from public sector unions to do their part to help balance the province's books.

While most people would assume union dues are used exclusively for workplace situations, the Canadian Union of Public Employees (CUPE) has used dues to fund campaigns calling for a boycott of Israeli academic institutions, protesting the World Trade Organization and encouraging bans on bottled water.

Some union leaders have clearly lost their focus, but workers in both the public and private sectors have to put up with these costly non-bargaining or workplace-related activities because of labour laws that have given union leaders substantial power with little or no accountability.

Few things seem more fundamental to freedom and prosperity than removing barriers to employment. We all need jobs to sustain ourselves and our families, to contribute to society and to fulfill our ambitions. And yet, in workplaces where standard union rules pertain, you can lose your job if you refuse to pay dues to a union. It doesn't matter whether you agree with the union's actions or feel that it doesn't

represent you properly.

Employees should be free to choose their associations and expression. That's the reality in the United States, Europe, Australia and New Zealand. It appears only Canada is out of step.

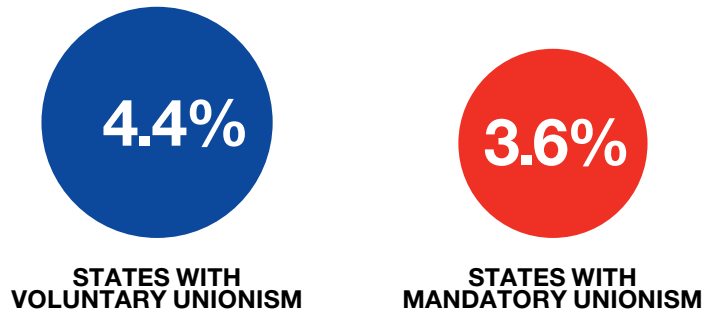
In American states with which Ontario must compete, far different rules apply. Closed union shops are illegal, and so far 23 of 50 states have adopted laws protecting employees from being fired for not paying union dues.

The changes in the United States are critically important to Ontario because our neighbour is on the verge of a manufacturing renaissance. The Boston Consulting Group projects that net labour costs for manufacturing in China and the U.S. will converge around 2015. Operations starting up or returning to the U.S. run counter to the prevailing assumptions of the manufacturing sector's inevitable decline.

The U.S. manufacturing renaissance is expected to take place primarily in states with worker choice reforms.

## Average Yearly Economic Growth in U.S. States

Nominal GDP 2002 to 2011



*Source: Calculations based on data collected by the U.S. Bureau of Economic Analysis*

Over the last decade, more than five million Americans have moved from states where union financial support is mandatory to states where it is voluntary. Modern union rules in these jurisdictions give individuals control over their paycheques and workers follow.

Legislation and regulatory changes that make union leaders accountable to their members are pro-market, pro-worker, economic reforms. These changes can take a number of different forms. They can make forced union membership an unfair labour practice for unions and employers. They can also require that union dues be collected by union officials themselves, not by the employer or the provincial government through automatic payroll deductions.

And they can ensure that union finances – like those of charities and public corporations – be open and transparent. This makes sense both for current members and for those who might be weighing the decision to unionize in the first place, ensuring they have the information necessary to make an informed choice.

Reforms can guarantee all votes by a secret ballot are administered independently, for example by the Ontario Labour Relations Board or Elections Ontario. Not only should every employee have the right to a secret ballot vote to certify or not, but all strike votes and collective agreement ratification votes should be by supervised secret ballot as well.

All of these changes have in common new mechanisms based upon timeless principles for unionized employees to hold their leadership accountable.

Giving Ontario workers the choice would be a first in Canada, although similar reforms have recently been raised in Saskatchewan as well. These are legal and regulatory concepts as yet unfamiliar to many Canadians, but experienced by hundreds of millions of employees worldwide.

Numerous economic reports and academic studies confirm that such reforms boost economic performance across every indicator, from job creation to economic growth to standard of living to new business openings to shareholder

investment. That's what Ontario needs and Ontarians deserve.

Instituting worker choice reforms in Ontario would not only meet the challenge offered by American states, it would put the province in a leading competitive position in Canada. We believe they should be seriously considered.

## **PATH 1**

Follow the example of jurisdictions from Scandinavia to New Zealand to the United States by offering worker choice reforms that put power and choice back in the hands of unionized employees. No clauses in any provincial legislation, regulation or collective agreement should require a worker to become a member of a union or pay union dues as a condition of employment.

## **PATH 2**

Union leaders, not employers, should collect dues from the workers they represent. The provincial government should lead the way by ending these automatic paycheque deductions. Private sector employers should have the option.

## **PATH 3**

Amend legislation so that unions must provide full and transparent disclosure of their revenues and how they spend their funds.

## **PATH 4**

Restore the Canadian principle of a secret ballot in all certification votes in Ontario. The Ontario Labour Relations Act should be amended to protect this basic right. A supervised secret ballot shields workers from intimidation at the hands of both union organizers and employers equally by ensuring that their vote to join a union remains private.

# OPEN TENDERING

As a basic principle, all companies should be allowed to bid on government contracts. Closed tendering is the practice of allowing only contractors with collective agreements with unions in general, or particular unions, to bid on provincial or municipal construction and maintenance projects.

Restrictive contracting and subcontracting clauses in union collective agreements with public institutions and municipalities – including Ontario Power Generation, Hydro One, the City of Toronto and the City of Hamilton – have created monopolistic bidding conditions that inflate costs and stifle job creation. More expensive infrastructure means less of it gets built. This means fewer hospitals, fewer roads and ultimately fewer jobs.

For example, in Toronto the Maintenance and Construction Skilled Trades Council has an exclusive contract with the Toronto District School Board. This lack of competition has led to a number of examples of wasteful spending and questionable practices. A recent exposé in the Toronto Star revealed that “school work orders are sometimes ‘padded’ with additional hours to account for the whereabouts of workers who either had no assignments or took off during work hours.” In one instance, a union contracted by the Council billed the Toronto District School Board 76 hours for installing a simple electrical outlet that only took 4 hours to do. In another case, one Toronto school was charged

\$19,000 to install a school sign that the supplier of the product said should cost \$2,000 to do.

The City of Hamilton estimates restrictive clauses within its collective agreement with the United Brotherhood of Carpenters and Joiners of America inflates the prices of its construction projects by

The public often assumes that closed tendering affects only non-union contractors. In reality, closed tendering also prevents union contractors from bidding on some contracts as well. Again, the City of Hamilton is a perfect example. Of the 260 or so contractors registered with the City at the time, only 13 of the 260 contractors had unionized workforces with the United Brotherhood of Carpenters and Joiners of America. Some of

## Examples of items billed by the Maintenance and Construction Skilled Trades Council to the Toronto District School Board

- ▶ Billing \$143 to install a pencil sharpener with 4 screws
- ▶ Billing 76 hours for 4 hours of work to install an electrical outlet in a library
- ▶ Billing \$19,000 to install a front lawn school sign
- ▶ Billing \$250,000 to install a 4.3m x 2.4m “breakfast club” kitchen
- ▶ Billing for time spent at Tim Hortons, drinking in bars, “fooling around” in cars, and handing out personal flyers for a home-based repairs business

up to 40 per cent. Additionally, last year, Infrastructure Ontario revealed that the \$155 million Pan Am Games construction project at Ivor Wynne Stadium would be subject to the same tendering restrictions. As a result, it’s expected that the price of this project will also be inflated by up to 40 per cent – costing Ontario taxpayers millions more.

the contractors’ workforces were unionized by other unions, some were not unionized at all. Hundreds of employers were prevented from competing, thousands of workers were left with no opportunity to prosper.

This is yet another example of outdated government policy that hurts our economy and reduces

opportunities for individual workers and businesses. As the representative of taxpayers, government ought to be getting the best price and offering opportunity to the full range of Ontario businesses,

not a favoured few.

Government shouldn't be picking winners and losers, but rather ensuring all businesses have the same chance to compete for

government work. Opening up tendering for all companies will increase competition and ultimately cut infrastructure costs across the province.

## PATH 5

Abolish the practice of closed tendering across Ontario's municipal and broader public sectors.

# REFORMING WORKPLACE AGENCIES

In Ontario, there are two major government agencies that affect the workplace, the Ontario Labour Relations Board (OLRB) and the Workplace Safety and Insurance Board (WSIB). Both are overdue for reform.

The OLRB is an independent, quasi-judicial tribunal mandated to mediate and adjudicate a variety of employment and labour relations-

related matters. It is also responsible for ruling on complaints under the Employment Standards Act and the Occupational Health and Safety Act.

The OLRB plays an important role in adjudicating labour practices, but we have heard from workers and employers from across Ontario that the process is both unclear and unfair.

Historically, the OLRB's job was to oversee the relationship between employees, employers and unions. Its responsibilities included adjudicating union certification processes, unfair labour practice allegations, collective agreement negotiation processes and illegal strikes and lock outs. In recent years its jurisdiction has expanded to cover employment standards and health and safety matters affecting



the workplace. What was supposed to be a straightforward, transparent process has become increasingly complex, over-legalized and drawn out.

It is time to ask if the OLRB still serves the purpose for which it was originally established. Do we really need a dedicated, quasi-judicial government body to manage these relationships in the 21st century? Consider that only about 28 per cent of workers in Ontario are unionized. That means, for the most part, 70 per cent of workers prefer to negotiate their terms and conditions of employment directly with their employer. Both employees and employers are able to rely on common law and the existing judicial system for protection.

While the OLRB should not be abolished, it must adapt and catch

up to the needs of the modern workplace. It should act strictly as an adjudicator, and the rules and regulations it enforces should be conducive to the operation of a free and competitive market. These rules should be clear and fair to all, employees and employers alike. No employee, employer or union should have to engage lawyers to create lengthy, complicated and costly legal documents, as opposed to having access to simple, straightforward and transparent processes that result in expeditious resolutions. While we must move towards more expeditious processes, a balance must be struck to safeguard procedural fairness and the protection of the rights of employees.

The powers of the OLRB to unilaterally amend its own processes that impact on procedural fairness need to be substantially narrowed.

Similarly, the OLRB does not appear to consider the impact of their decisions on workplace productivity or economic growth as expressly set out in the Purposes section of the Act.

Another deficiency is the absence of any oversight over the length of time the Board can take to reach a decision on complaints. This produces an atmosphere of uncertainty, arbitrariness and lack of transparency that is not conducive to the creation of an investment-friendly environment. There should be an improved system of checks and balances put in place. We also need to simplify the OLRB appeals process. Appeals of an OLRB decision should not be made directly to the Chair who delivered the initial ruling.

## PATH 6

**Ensure the Ontario Labour Relations Board functions as an impartial and efficient arbiter of disputes. Its role should be strictly adjudicatory with rules and regulations as minimally invasive as possible. The current mandate of the Board must clearly establish these parameters.**

Ontario's Workplace Safety and Insurance Board is the government agency that provides injury and disability benefits to workers. WSIB coverage is compulsory for most businesses and industries in Ontario. Employers fund the WSIB through payroll taxes in the form of premiums based on the earnings of their employees. The WSIB sets these premium rates, while government sets benefits and coverage through legislation.

WSIB premiums are necessary, but they are also a tax on jobs. The objective should be to keep premiums reasonable while still meeting workers' needs. The WSIB has failed to achieve this goal.

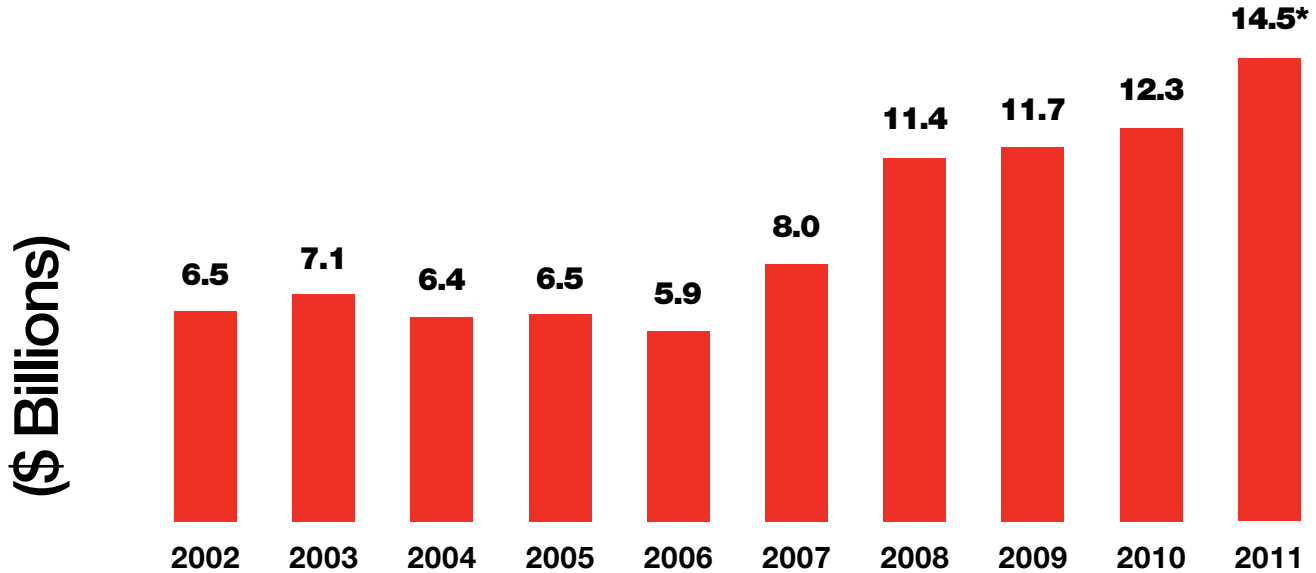
The WSIB currently has an estimated unfunded liability of \$14.5 billion. This means that the assets in its insurance fund are \$14.5 billion less than what is needed to meet the estimate of lifetime costs of all claims

under the WSIB's coverage. But according to one recent analysis by the independent, not-for-profit C.D. Howe Institute, entitled "The Hole in Ontario's Budget: WSIB's Unfunded Liability," authors Colin Busby and Finn Poschmann found that on a fair-value accounting approach, the unfunded liability could actually be closer to \$20 billion.

The massive unfunded liability is also the result of establishing



## WSIB Unfunded Liability 2002 to 2011



*\*projection*

*Source: WSIB Annual Reports, 2002-2011*

premiums and benefits to suit political considerations instead of actual market demands. The WSIB's problems were exacerbated by the recent economic downturn, which exposed a reckless investment strategy, and reduced premium payments due to higher unemployment.

Taxpayers, future employers and ultimately workers are on the hook for the shortfall. This has been a cause of concern not only to the Auditor General but more recently to the WSIB funding review, think tanks and business groups.

Yet despite an increasing unfunded liability, the Ontario government recently unilaterally increased WSIB benefits, making the problem worse. The WSIB can be expected to increase premiums yet again, acting as a powerful disincentive for

businesses to hire new employees.

The management of the WSIB is not a new concern. Since the early 1980s, every government of all political stripes has tried to "fix" the Board, through legislative reform and administrative action. Yet, core problems persist and worsen. The hard fact is that this system was designed for a post-industrial revolution world a century ago and simply no longer meets the modern needs of Ontario's workers and employers. The time for thoughtful change is overdue.

One solution to this problem is to allow the private sector to compete for providing insurance coverage for workers in Ontario. Most U.S. states already allow private insurers to compete with state insurance funds for the provision of workers' compensation. We believe that a

similar model would work well for Ontario.

Presently, only 70 per cent of Ontario's workforce is covered under the WSIB even though protecting Ontario's workers for on-the-job injury is the only reason the Board was set up in the first place. Even so, imposing a deteriorating WSIB on the 30 per cent left out makes no sense. In spite of that, next year, the Ontario government will do just that for self-employed independent construction contractors under Bill 119, called the Workplace Safety and Insurance Amendment Act. We will start our reforms by repealing this backward step while still ensuring adequate insurance protection.

Allowing private insurers into the market would provide employers with choices, not just as to which company, but on the specific details



of coverage. Mandatory coverage at equal or better terms would still be in place, and an employer would be required to present proof of membership in an alternate plan before they would be allowed to opt out of the WSIB. Private insurance, like WSIB coverage, would remain a 'no-fault' system to maintain the integrity of workplace insurance.

Under this proposal, a streamlined, more accountable WSIB governed by a competent, non-political board of directors would continue to operate in competition with private sector companies. The WSIB would serve as an insurer of last resort, providing coverage to those businesses that cannot obtain insurance elsewhere.

We recognize that these are bold suggestions that must be carefully and thoughtfully introduced. The millstone of the unfunded liability is both the catalyst and impediment for needed reform. A catalyst because the continued presence of the unfunded liability over 30 years shows the system is often captive to short term political interference

**“ Ontario currently assesses among the highest employer premiums among Canadian provinces. The unfunded liability exacerbates matters: premiums in Ontario must remain high to pay for prior unfunded claims, even though the cost of new claims is below the national average. ”**

-- C.D. Howe Institute, March 2012

which must end. An impediment because responsible reform cannot permit employers to abandon the Board's liabilities.

We therefore propose a staged reform process. We would start with the repeal of Bill 119 which forces Ontario's self-employed independent operators to join the WSIB. Instead, we would allow those entrepreneurs to opt for comparable private insurance. Next, as individual business sectors secure an adequate level of funding, we would allow those employers to

obtain suitable private insurance. Insurance choice will be respected. Third, we would immediately revamp the Board, replacing a political board of directors with a skills-based board, charged with proper corporate governance oversight.

These reforms will trigger a modernization of Ontario's workplace insurance system, which was once at the vanguard of public policy. Ontario's needs have changed. The Board hasn't. It now must.

**“ We'll establish a new regulation under the Workplace Safety and Insurance Act, to require the WSIB's insurance fund to reach... a full 100 per cent funding by 2027 ”**

-- Ontario Minister of Labour Linda Jeffrey, May 4, 2012 (emphasis added)

## PATH 7

Allow private companies to compete with the WSIB for the provision of workplace insurance coverage.

## A PRO-JOBS AGENDA

It's time to get Ontarians back to work.

Years of government inaction and outmoded labour policies reflective of a long past era have hindered Ontario workers and businesses trying to succeed in an ever-more-challenging world. We need to eliminate the protectionist barriers that are holding us back. Ontario has a series of labour policies that actively discourage employment. We can't afford to continue on that path.

The proposals the Ontario PC Caucus have put forward here are not a magic solution to Ontario's economic problems, but they will reduce some of the obstacles we have put in our own way. They are an important part of a series of economic policies that we will propose, including further discussion on reducing government spending, reining in public sector wages and pension costs and new ideas on how to attract investment and create jobs.

A number of the proposals in this *Paths to Prosperity* white paper have to do with the privileges and practices of unions. Where Ontario's new economy demands flexibility, union leaders offer rigidity. Unions demand their members be judged by seniority, not merit. In a world that rewards productivity and competitiveness, unions still believe the best way to increase wages is through strikes and demands.

These are values and actions that are

out of sync with a modern economy, and with worker expectations. They hurt much-needed job creation. Government should create the conditions for change.

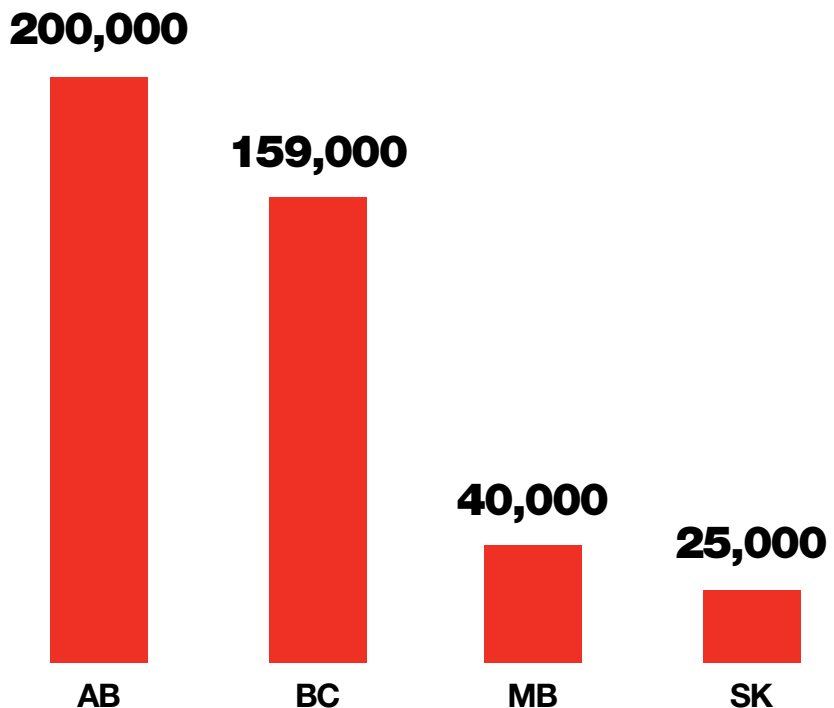
There is a valid role for unions, but they must be freely supported by their own members.

When it comes to labour laws, we need a new standard. When government puts in place a labour law, it should be designed to increase job creation, not protect

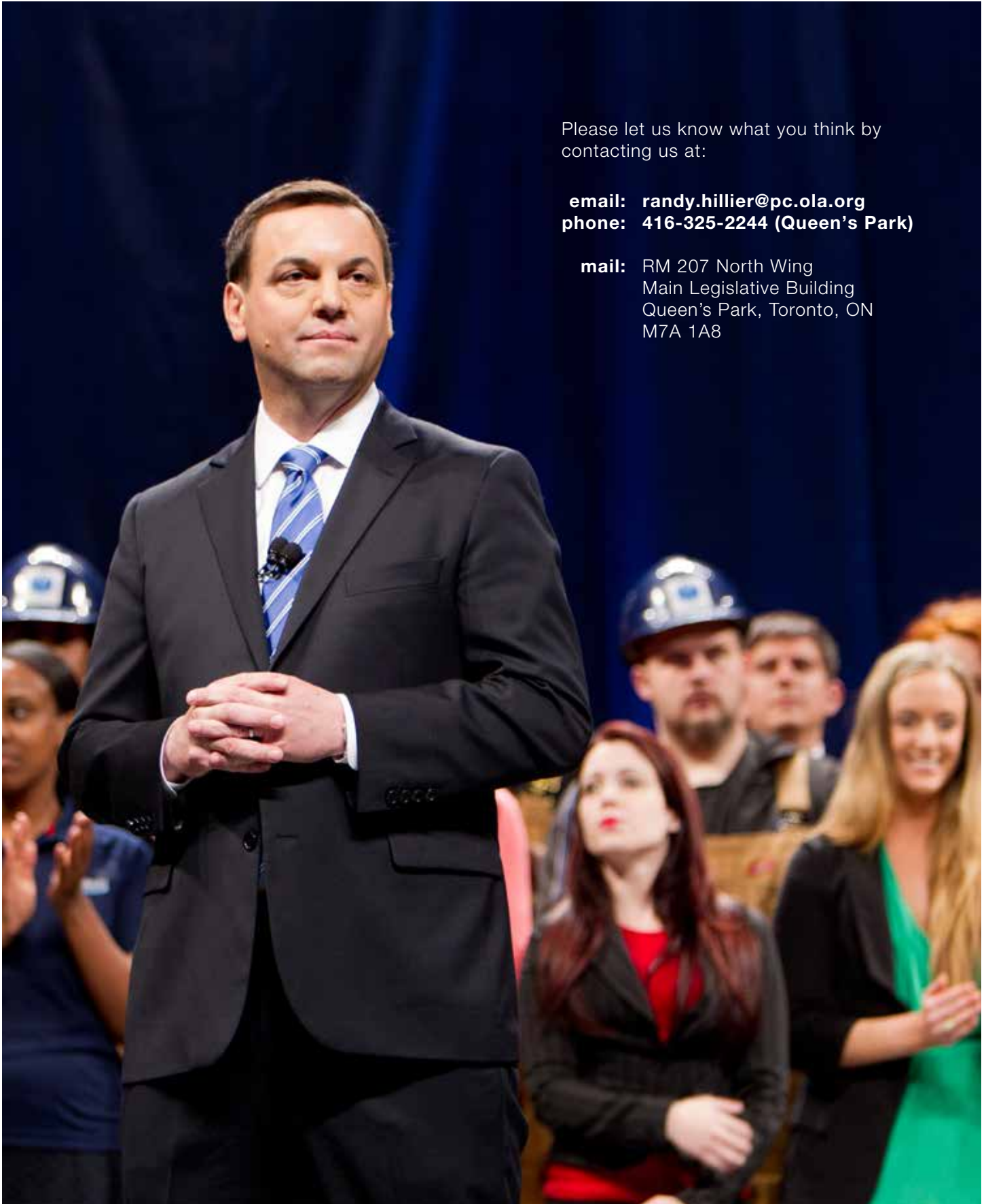
the status quo or the interests of some sectors of the economy at the expense of others.

No doubt some will attack these proposals as anti-union, but that miscasts the issue. The Ontario PC Caucus is pro-job creation. Unions should be, too. We believe that future job creation requires rebalancing the roles of unions, employers and workers, always with a focus on creating more jobs and opportunities. It's what Ontario needs.

### People Leaving Ontario for Western Economies 2001 to 2010



Source: Statistics Canada, Table 051-0019



Please let us know what you think by contacting us at:

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# PATHS TO PROSPERITY

## FLEXIBLE LABOUR MARKETS

### **PATH 1**

Follow the example of jurisdictions from Scandinavia to New Zealand to the United States by offering worker choice reforms that put power and choice back in the hands of unionized employees. No clauses in any provincial legislation, regulation or collective agreement should require a worker to become a member of a union or pay union dues as a condition of employment.

### **PATH 2**

Union leaders, not employers, should collect dues from the workers they represent. The provincial government should lead the way by ending these automatic paycheque deductions. Private sector employers should have the option.

### **PATH 3**

Amend legislation so that unions must provide full and transparent disclosure of their revenues and how they spend their funds.

### **PATH 4**

Restore the Canadian principle of a secret ballot in all certification votes in Ontario. The Ontario Labour Relations Act should be amended to protect this basic right. A supervised secret ballot shields workers from intimidation at the hands of both union organizers and employers equally by ensuring that their vote to join a union remains private.

### **PATH 5**

Abolish the practice of closed tendering across Ontario's municipal and broader public sectors.

### **PATH 6**

Ensure the Ontario Labour Relations Board functions as an impartial and efficient arbiter of disputes. Its role should be strictly adjudicatory with rules and regulations as minimally invasive as possible. The current mandate of the Board must clearly establish these parameters.

### **PATH 7**

Allow private companies to compete with the WSIB for the provision of workplace insurance coverage.



